

Minority Groups Increasing Business Ownership at Higher Rate than National Average, Census Bureau Reports¹

Minority groups and women are increasing their business ownership at a much higher rate than the national average, according to new tabulations titled **Preliminary Estimates of Business Ownership by Gender, Hispanic or Latino Origin, and Race: 2002**, from the U.S. Census Bureau's 2002 Survey of Business Owners (SBO) released today.

While the number of U.S. businesses increased by 10 percent between 1997 and 2002 to 23 million, the rate of growth for minority- and women-owned businesses was far higher, ranging from 67 percent for native Hawaiian- and other Pacific islander-owned businesses to 20 percent for firms owned by women. (See Table 1.)

Table 1. Summary Statistics for Changes in the Number of U.S. Businesses and their Receipts, 1997-2002

	All Firms						
	Counts			Receipts (\$billions)			Average Receipts (dollars)
	1997	2002	Change	1997	2002	Change	2002
Total U.S. Businesses	20,821,934	22,977,164	+10%	18,553	22,635	+22%	985,103
Female	5,417,034	6,492,795	+20%	819	951	+16%	146,408
Male	11,374,194	13,185,703	+16%	6,635	7,096	+7%	538,194
Hispanic or Latino	1,199,896	1,574,159	+31%	186	226	+22%	143,866
White	18,422,070	19,894,823	+8%	7,942	8,304	+5%	417,395
Black	823,499	1,197,988	+45%	71	93	+30%	77,426
American Indian and Alaska Native	197,300	206,125	*	34	26	*	128,057
Asian	893,590	1,105,329	+24%	303	343	+13%	310,606
Native Hawaiian and Other PI	19,370	32,299	+67%	4	5	+26%	161,640

* data not comparable with 1997

The nation's 23 million businesses increased their receipts by 22 percent between 1997 and 2002 to reach \$22.6 trillion. Increases in receipts ranged from a high of 30 percent for black-owned firms to 5 percent for businesses owned by whites.

Of the nation's 23 million businesses in 2002 (which include nearly half a million public corporations, nonprofits, etc.), 5.5 million had paid employees. Receipts for businesses with employees totaled \$21.9 trillion, an increase of 22 percent from five years earlier (See Table 2).

An estimated 17.5 million businesses had no paid employees. Their receipts totaled \$767.5 billion, up 19 percent from 1997 (See Table 3).

¹ The SBO defines business ownership as having 51 percent or more of the equity, interest or stock in the business. Respondents to the 2002 SBO were asked to report the percent of ownership, gender, Hispanic or non-Hispanic origin and race for up to three primary owners (Hispanics may be of any race).

Table 2. Summary Statistics for Changes in the Number of U.S. Businesses (with Paid Employees) and their Receipts, 1997-2002

	Firms with paid employees						
	Counts			Receipts (\$billions)			Average Receipts (dollars)
	1997	2002	Change	1997	2002	Change	2002
Total U.S. Businesses	5,295,151	5,526,111	+4%	17,908	21,867	+22%	3,957,102
Female	846,780	917,946	+8%	718	813	+13%	885,878
Male	3,485,921	3,525,524	+1%	6,270	6,599	+5%	1,871,772
Hispanic or Latino	211,884	199,725	-6%	159	184	+16%	921,090
White	4,573,528	4,712,168	+3%	7,405	7,629	+3%	1,619,000
Black	93,235	94,862	**	56	70	+24%	735,586
American Indian and Alaska Native	33,277	25,101	*	29	21	*	847,492
Asian	286,976	319,911	+11%	275	308	+12%	961,379
Native Hawaiian and Other PI	3,023	4,333	+43%	4	4	+16%	998,481

Table 3. Summary Statistics for Changes in the Number of U.S. Businesses (with No Paid Employees) and their Receipts, 1997-2002

	Firms with no paid employees						
	Counts			Receipts (\$billions)			Average Receipts (dollars)
	1997	2002	Change	1997	2002	Change	2002
Total U.S. Businesses	15,526,783	17,451,053	+12%	645	767	+19%	43,979
Female	4,570,254	5,574,850	+22%	101	137	+36%	24,648
Male	7,888,273	9,660,179	+22%	365	497	+36%	51,499
Hispanic or Latino	988,012	1,374,434	+39%	28	43	+54%	30,925
White	13,848,542	15,182,655	+10%	536	675	+26%	44,426
Black	730,264	1,103,126	+51%	15	23	+54%	20,761
American Indian and Alaska Native	164,023	181,024	*	5	5	*	28,299
Asian	606,614	785,418	+29%	28	36	+27%	45,537
Native Hawaiian and Other PI	16,347	27,966	+71%	0.4	1	+116%	31,981

Michigan ranked 8th among the states in total firms for 2002 with 735,604 and 9th in 2002 sales and receipts with \$794,169,000,000. However, the picture is not so rosy when looking at percent growth over the 1997 to 2002 period. Michigan ranked 20th in percentage growth in firms (8.6 percent) and 47th in growth in sales and receipts (11.4 percent – not adjusted for inflation). Only Idaho, Nebraska, New Mexico and West Virginia had slower growth.

The remainder of this release highlights the major national trends and summarizes those for Michigan. A more detailed analysis will be completed and available August 1, 2005

Black-Owned Businesses

There were 1.2 million black-owned businesses in 2002, up 45 percent from 1997. Their receipts were \$92.7 billion, up 30 percent from 1997. An estimated 94,862 black-owned businesses had paid employees and their receipts totaled \$69.8 billion or about \$735,586 per firm.

Black-owned businesses with no paid employees numbered 1.1 million, up 51 percent from 1997. They had receipts of \$22.9 billion, up 54 percent from 1997. Average receipts of these businesses were \$20,761 per firm.

Thirty-eight percent of black-owned firms operated in the health care and other service industries. Health care and retail trade accounted for a fourth of their receipts.

Hispanic-Owned Businesses

There were 1.6 million Hispanic-owned businesses in 2002, up 31 percent from 1997. Their receipts were \$226.5 billion, up 22 percent from 1997. A total of 199,725 Hispanic-owned businesses had paid employees and their receipts totaled \$184 billion, or about \$921,090 per firm.

Hispanic-owned businesses with no paid employees numbered 1.4 million, up 39 percent from 1997. They had receipts of \$42.5 billion, up 54 percent from 1997. Average receipts of these businesses were \$30,925 per firm.

About 40 percent of Hispanic-owned firms were in administrative and support and waste management; health care; and other service industries. Another 13 percent were in construction.

Asian-Owned Businesses

There were 1.1 million Asian-owned businesses in 2002, up 24 percent from 1997. Their receipts were \$343.3 billion, up 13 percent from 1997. An estimated 319,911 Asian-owned businesses had paid employees and their receipts totaled \$307.6 billion, or about \$961,379 per firm.

Asian-owned businesses with no paid employees numbered 785,418, up 30 percent from 1997. Their receipts were \$35.8 billion, up 27 percent from 1997. Average receipts of these businesses were \$45,537 per firm.

About 28 percent of Asian-owned firms were in health care and other services, with another 14 percent each in professional services and retail trade.

Women-Owned Businesses

There were 6.5 million women-owned businesses in 2002, up 20 percent from 1997. Their receipts totaled \$950.6 billion, up 16 percent from 1997. There were 917,946 women-owned

businesses with paid employees, up 8 percent from 1997. Their receipts were \$813 billion, an increase of 13 percent, with an average of \$885,878 per firm.

Women-owned businesses with no paid employees numbered 5.6 million, up 22 percent from 1997. Receipts totaled \$137.4 billion, up 36 percent from 1997. Average receipts of these businesses were \$24,648 per firm.

Over half of women-owned firms were in service-related industries, including health care and professional services. Receipts were generally highest for wholesale and retail trade activities.

Native Hawaiian- and Other Pacific Islander-Owned Businesses

There were 32,299 native Hawaiian- and other Pacific islander-owned businesses in 2002, up 67 percent from 1997. Their receipts were \$5.2 billion, up 26 percent from 1997. An estimated 4,333 native Hawaiian- and other Pacific islander-owned businesses had paid employees; their receipts totaled \$4.3 billion, or about \$998,481 per firm. They accounted for less than 1 percent of firms in all states except Hawaii, where 9 percent were native Hawaiian- and other Pacific islander-owned.

Native Hawaiian- and other Pacific islander-owned businesses with no paid employees numbered 27,966, up 71 percent from 1997. Their receipts totaled \$894 million, up 116 percent from 1997. Average receipts of these businesses were \$31,981 per firm.

Native Hawaiian- and other Pacific islander-owned businesses were fairly well distributed across business sectors, with between 10 and 15 percent in each of health care; other services; administrative and support and waste management; professional services; retail trade; and construction.

American Indian- and Alaska Native-Owned Businesses

There were 206,125 American Indian- and Alaska native-owned businesses in 2002, with receipts of \$26.4 billion. In the 2002 survey, businesses were asked to report ownership by an American Indian tribal entity. These businesses are considered to be government-owned entities and are therefore excluded from the estimates of American Indian- and Alaska native-owned businesses. This distinction was not made in the 1997 survey, so prior data are not directly comparable.

An estimated 25,101 American Indian- and Alaska native-owned businesses had paid employees and their receipts totaled \$21.2 billion, or about \$847,492 per firm. American Indian- and Alaska native-owned businesses with no paid employees numbered 181,024 with receipts of \$5.1 billion. Average receipts of these businesses were \$28,299 per firm.

American Indian- and Alaska native-owned firms were prevalent in many industries, with the largest concentrations in construction; retail trade; professional services; health care; and other services. Receipts were highest in retail trade and construction.

American Indian- and Alaska native-owned businesses accounted for 8 percent of firms in Alaska and about 5 percent of firms in both Oklahoma and New Mexico.

Table 4. The State of Women- and Minority-Owned Business in Michigan, 2002

	All firms in 2002				All firms in 1997	
	Firms (#)	Firms (rank)	Sales and receipts (\$1,000,000)	Sales and receipts (rank)	Firms (#)	Sales and receipts (\$1,000,000)
Women	217,802	8	29,635	10	184,590	26,499
Black	44,367	9	4,346	8	24,954	4,623
Hispanic	9,848	16	3,206	12	9,997	1,967
Asian	15,299	14	5,528	13	11,560	5,457
Native American	5,365	10	773	8	5,802	720
Native Hawaiian and Other PI	239	18	57	13	117	35
Change from 1997 to 2002						
	Net change (firm #)	Net change (firm %)	Firms (rank)	Net change in Sales and receipts (\$1,000,000)	Sales and receipts (%)	Sales and receipts (rank)
Women	33,212	18	17	3,136	12	33
Black	19,413	78	4	-277	-6	44
Hispanic	-149	-1	40	1,239	63	18
Asian	3,739	32	19	72	1	47
Native American	-437	-8	27	53	7	9
Native Hawaiian and Other PI	122	104	18	22	64	23

While data at the State level is still quite limited, we are able to track overall firm and receipt changes for each business owner category. Women-owned firms had the largest numerical growth – 33,212 (18 percent), followed by Black-owned firms – 19,413 (78 percent) and Asian-owned – up 3,739 (32 percent). Hispanic-owned and Native American owned firms both experienced decreases in number. The bottom line sales and receipt picture is somewhat different, however. Women-owned businesses again led the pack, followed by Hispanic-owned businesses. In spite of their numerical loss, existing Hispanic-owned firms were able to increase their per firm sales and receipts, resulting in an overall increase of \$1,239,000,000 or 63 percent. Black-owned businesses experienced the opposite trend however, as their numerical increase was accompanied by an actual revenue loss of \$277,000,000 or 6 percent. While we must wait for the detail that will fill in the picture, we must assume that the majority of new Black-owned businesses had no paid employees and that existing businesses experienced decreasing average revenues. Asian-owned firms accompanied their numerical increase with a meager 1 percent increase in sales and receipts.

Further Analysis of Michigan Data

While State-level data are quite limited in this early release, we can look a little further to better understand the trends that are in evidence. Table 5 breaks out the firm numbers and receipts for firms with and without paid employees. It becomes apparent that the fortunes of each type vary across the ownership categories. The bullets below Table 5 summarize the major points discovered in the data.

Table 5. Success of Michigan Women and Minority-Owned Businesses by Employee Characteristics, 1997 – 2002

	Firms			Sales and receipts (\$1,000)		
	Total	Employees	No Employees	Total	Employees	No Employees
Michigan	58,131	928	57,203	78,793,755	74,866,813	3,926,942
Female	33,212	2,313	30,899	3,136,325	2,254,157	882,168
Hispanic	-149	192	-341	1,238,796	1,250,074	-11,278
Black	19,413	269	19,144	-277,090	-512,469	235,379
American Indian & Alaska Native	-437	-271	-166	52,811	80,451	-27,640
Asian	3,739	946	2,793	71,769	114,213	-42,444
Native Hawaiian & Other PI	122	45	77	22,163	17,357	4,806
	Firms			Sales and receipts (\$1,000)		
	Total	Employees	No Employees	Total	Employees	No Employees
Michigan	8.6%	0.5%	11.6%	11.0%	10.7%	21.1%
Female	18.0%	8.7%	19.6%	11.8%	9.6%	29.7%
Hispanic	-1.5%	12.9%	-4.0%	63.0%	71.6%	-5.1%
Black	77.8%	9.5%	86.6%	-6.0%	-12.3%	50.6%
American Indian & Alaska Native	-7.5%	-26.7%	-3.5%	7.3%	13.5%	-21.9%
Asian	32.3%	22.2%	38.3%	1.3%	2.3%	-7.9%
Native Hawaiian & Other PI	104.3%	125.0%	95.1%	64.0%	51.5%	525.8%

- Michigan firm growth was concentrated in non-employee firms. They increased by 57,203 (11.6%), while those with employees grew by only 928 (0.5%)
- In spite of small growth in paid employee firms, their receipts grew at a rate of over 20:1 in dollars and just over half the rate on a percentage basis.
- Women-owned businesses showed a similar pattern though receipts for non-employee firms grew by over a third those with paid employees.
- Black-owned business saw an overall decrease in receipts that was driven by losses in employee-based businesses. Firms without paid employees increased their share of all Black-owned businesses from 88.6% in 1997 to 93% in 2002.

- Hispanic-owned firms decreased in overall number but increased in number with paid employees. The 71.6% increase in receipts garnered by firms with paid employees made up for the numerical loss of non-employee businesses and resulted in an overall increase in sales and receipts.
- Asian-owned businesses increased in number by 32 percent, but saw their receipts grow by only 1.3 percent. This result can be attributed to the poor results experienced by firms with no paid employees. While they accounted for 75 percent of firm growth, they experienced a net loss of 7.9 percent in sales.

Analysis prepared by:

Kurt R. Metzger

Research Director, Center for Urban Studies

and

Director, Michigan Metropolitan Information Center (MIMIC)

Center for Urban Studies

College of Urban, Labor and Metropolitan Affairs (CULMA)

Wayne State University

656 W. Kirby; Room 3057

Detroit, MI 48202

Phone 313-577-8996

Fax 313-577-1274

E-mail Kurt.Metzger@wayne.edu

Feel free to contact with questions, comments, etc.